



USAID
FROM THE AMERICAN PEOPLE

AFGHANISTAN

Strengthening the Economy

November 2005



PHOTO: USAID/AFGHANISTAN

Ms. Malika Qanih, an Afghan business owner, receives a certificate of ownership during the opening ceremony at Bagrami Industrial Park in October 2005.

INDUSTRIAL PARKS

USAID is financing the construction of three industrial parks to stimulate investment and minimize potential business risk to the investors. The provision of a clear marketable title is projected to be a major incentive for attracting investor interest. The status to date is:

- Completed 95% of Bagrami Industrial Park.
- Completed 35% of Kandahar Industrial Park.
- Completed 11% of the Mazar-e-Sharif Industrial Park.

OVERVIEW

USAID's economic growth program assists the Government of Afghanistan to design and implement sound economic policy that is sustainable, transparent and predictable. USAID aims to strengthen economic governance in the public sector, build capacity and establish an environment that enables the private sector to expand and produce jobs and income.

PROGRAMS

CUSTOMS REFORM

USAID is supporting the programs of the Ministry of Finance (MoF) and Mustofiat (provincial revenue offices), including customs clearance procedures, valuation and classification, development of a new Customs Code, and human resources. To date, the program has:

- Completed and equipped the Sher Khan Bander Border Post.
- Trained 110 provincial MoF staff under the Mustofiat program.
- Administered 26 different training seminars to 461 MoF staff members.
- Assisted the MoF to surpass the IMF domestic revenue generation goal, an increase of 25% from FY04.

CENTRAL BANK REFORM

USAID is supporting Da Afghanistan Bank (DAB) reform aimed at building a sound financial system. Thus far, USAID has:

- Assisted DAB in developing world-class bank and foreign branch licensing criteria and in processing new bank applications, resulting in the entrance of nine new banks and the re-licensing of three state-owned banks under international standards.
- Assisted the DAB in creating an interim accounting system and procuring a new international standard banking and accounting system.
- Assisted DAB in meeting the requirements of the MoF to rationalize treasury operations by consolidating government accounts across all DAB provincial branches, with regular transfers of government revenue to a Treasury Single Account.
- Assisted 35 DAB provincial branches to implement modernized, automated payment, account management, and communication systems which have improved branch operations.

LAND TITLING

USAID is supporting the transfer of clear, marketable ownership title to Afghan citizens in a manner that is efficient and effective. To date the program has:

- Completed aerial mapping for two pilot districts in Kabul.
- Reorganized five Makhzans (provincial deed offices).



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Economic Growth (continued)



PHOTO: USAID/AFGHANISTAN



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Before and after photos of organization of property records in Kabul, Mazar-i-Sharif, Kunduz, and Parwan provinces. Property records have been catalogued more efficiently, reducing access time from two-three



Afghans exchanging currency. Men exchange currency in a local market. The private sector economy in Afghanistan must begin to grow and offer people opportunities for reconstruction to succeed.

- Registered 3 million deeds.

PRIVATIZATION OF STATE-OWNED ENTERPRISES (SOE)

USAID is supporting privatization of state-owned enterprises as a major prerequisite for a viable market economy. This includes a rapid transfer of state-owned assets to the private sector and the development of both private and public sector institutions and practices that serve as the foundation for a transparent, market-based economy. Achievements to date include:

- Drafted changes to existing SOE law and submitted to the MoF for approval.
- Privatized Baghlan Sugar SOE in May, 2005, at a sale price of 15.5M euro.

BUSINESS ASSOCIATION STRENGTHENING

USAID is supporting the creation of a Business Association Support Network which seeks to build the capacity of the Afghan International Chamber of Commerce (AICC), provincial and local business associations and other civil society groups to provide a sound foundation for policy dialogue, investment promotion, and economic development. The program has:

- Opened AICC branch offices in Kandahar and Jalalabad; established Afghan Business Council in Dubai.
- Supported the Afghan Builders' Association efforts to increase competency of its construction company members.
- Created and expanded women's business associations that provide training and business development services.

PRIVATE SECTOR

USAID is supporting the stimulation of economic growth by creating a venture capital fund and a separate loan guarantee program for ex-combatants in order to stimulate local private sector development and create sustainable employment. Activities include:

- Establishing the Afghanistan Renewal Fund, the first venture capital fund in Afghanistan specifically targeting small, medium-sized enterprises.
- Providing technical assistance in business plan development, market research analysis and market entry.
- Establishing the First Loss Reserve Fund, a loan guarantee fund providing participating banks a \$10,000 guarantee for each ex-combatant hired by the loan applicant.
- Improving quality, marketing, and export promotion of products in three sectors: carpets, marble, and dried fruits and nuts.